

Universities Provident Fund 2011

1. Financial statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Universities Provident Fund as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The computer equipment costing Rs.408,080 with zero book value as at 31 December 2011 and being used had not been revalued and brought to account.

1:2:2 Non-compliance with Laws, Rules and Regulations

The Commission had not made Ordinances in terms of Section 91 of the Universities Act No. 16 of 1978 for the regularization, administration and management of the Provident Fund.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the net income of the Fund available for distribution as at 31 December 2011 amounted to Rs.1,505,456,593 as compared with the net income available for distribution in respect of the preceding year amounting to Rs.1,442,849,704. The increase of the financial result for the year under review as compared with the preceding year by a sum of Rs.62,606,889 had been mainly due to the decrease of the income tax on interest income by a sum of Rs.30,535,587, the increase of the income from investments by a sum of Rs.6,771,174 and the increase of Rs.25,401,976 in the retained profits of preceding years.

3. Operating Review

3:1 Performance

The following observations are made.

(a) Erroneous Computation of Contributions

The academic allowance had been taken into consideration with the salary for the computation of the contribution to the Universities Provident Fund up to 11 May 2011 and action had not been taken up to date either to recover from the Fund or to set off the amounts overpaid. As such a sum of Rs.248.57 million had been credited in excess to the Provident Fund from the year 2004 to 11 May 2011 by the Universities, Institutions of Higher Education and the Commission.

(b) Section 95 of Chapter xii of the Universities Act, No. 16 of 1978 specified that the total amount available to the credit of the contributor should be paid to the contributor within 03 months from the date of cessation of his account. Nevertheless, an examination of the payment vouchers of a sample of 02 months revealed 05 instances of payments made in the year under review after the expiry of the time limit referred to above.

3:2 Management Inefficiencies

The unidentified balance of contribution as at 31 December 2011 amounted to Rs.6,819,802 and action had not been taken to identify the balances of contributions. An age analysis in this connection as well had not been furnished to audit.

4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Fund from time to time. Special attention is needed in respect of the following areas of systems and controls.

(a) Unidentified Contributions Accounts

(b) Formulation of Ordinances